Final Examination (**EXAMPLE)**
NS 3041 Comparative Economic Systems
Dr. Robert M. McNab

Instructions

The objective of this examination is to gauge the student's understanding of the material presented during this course, to include lecture materials and reading assignments. It is expected that students will complete the exam by the deadline noted in the instructions. It is furthermore expected that each student will complete the exam independently of other students and will not confer, discuss, or share materials or answers to the questions contained in this exam. The instructor reserves the right to conduct an oral examination of any student if it is believed that the above policy has been violated.

Read each question carefully before attempting to draft an answer to the question. When asked to perform a calculation, make sure to show all work to receive partial or full credit. Answers will be graded for (1) conceptual understanding; (2) completeness; (3) reasoning; and (4) presentation. The instructor prefers that completed exams be submitted by email and will acknowledge receipt of examination by email. Students wishing to leave a hardcopy exam for the instructor may do so at their own risk that the instructor will receive the exam by the examination deadline. The deadline for this examination is 1700 on 28 September 2001. Failure to submit the examination by the deadline will result in a **failing grade**.

Theory

1. A result of the Harrod-Domar model is that economic growth is a function of the national savings rate (S/Y) and the incremental capital-output ratio (ICOR).

   a. Discuss the potential relationship between the ICOR and the existence of private property rights in developing and transitional countries. Using de Soto's article and other assigned readings, would you expect the ICOR to be higher or lower in countries with strong property rights?

   b. How might war affect the results of the Harrod-Domar model? Compare and contrast your findings with those of the Solow growth model.

2. A result of the Solow growth model is that economic growth is a function of the growth rates of capital and labor and the shares of capital and labor in economic output.

   a. Discuss the relationship between absolute and conditional convergence and the evidence to support each hypothesis.

b. If we accept de Soto's argument that private capital formation is dependent upon property rights and other institutions, how would one incorporate these factors in the Solow growth model?

c. Discuss two of the assumptions underlying the Solow growth model and discuss what might happen if these assumptions were violated.

3. The two sector model of labor and output in developing countries suggests that agricultural wages are, in part, a function of the demand for industrial labor.

a. Discuss how a country might raise agriculture wages in the long-run. What would need to occur for this to happen?

b. Explain the implications of having the demand for industrial labor rising faster than population growth. What might you expect to observe?

Readings and Policy

1. A result of the Harrod-Domar growth modeling approach is that economic growth is a function of the ICOR and the national savings rate.

a. Using the assigned readings, discuss why and how HIV/AIDS the national savings rate. What are the potential implications for HIV/AIDS for economic growth based upon the results of the Harrod-Domar model? The Solow growth model?

b. How might one use the production possibilities frontier to illustrate the impact of HIV/AIDS?

c. How might one use the lifecycle income hypothesis model presented in class to discuss the impact of HIV/AIDS on national savings?

2. Using the assigned readings, discuss the potential relationship between foreign aid and economic development.

a. Using the production possibilities frontier analysis presented in class, discuss how foreign aid might spur consumption in the short-term and collapse in the long-term.